

Judge: Hon. Christopher M. Alston
Chapter: 7

UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re:

CHRIS YOUNG DONG YOO,
JIEUN SONG YOO,

Debtors.

EDMUND J. WOOD, solely in his capacity as
the Chapter 7 Trustee of the Estate of
Chris Young Dong Yoo and Jieun Song Yoo,

Plaintiff.

vs.

CHRIS YOUNG DONG YOO and JIEUN
SONG YOO, husband and wife and the
marital community composed thereof,

Defendants.

EDMUND J. WOOD, solely in his capacity as the Chapter 7 Trustee of the above-referenced bankruptcy estate, by and through his undersigned counsel alleges and complains as set forth below.

I. INTRODUCTION

The Debtors, through and with their wholly owned companies, were operating a Ponzi scheme. A lot of people invested a lot of money with Mr. Yoo and now it is all gone. Where it went is unknown. The number of investors, their identities, and the amount of money is not known because the Debtors made the deliberate decision not to list them as creditors on the schedules. Seriously, the Debtors did not list one of the investor/creditors from this Ponzi scheme on their original schedules. Thus their creditors never received notice of the bankruptcy filing, information as to the date and

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1 time of the §341 meeting, or notice of the discharge deadline. At the section 341
2 meeting Debtor Chris Yoo testified that the amount of money that his companies were
3 "managing" was close to \$100 million. Thus of \$100 Million Dollars of potential creditor
4 claims, not one was scheduled.

5 Some of the investors filed a petition in King County Superior Court to appoint a
6 receiver for two of Yoo's funds, Summit Stable Value Fund, LLC ("SSVF") and Summit
7 Strategic Opportunities Fund, I, LLC ("SSOP I") ("King County Action"). According to
8 the Complaint filed in the King County Action, SSOP I sold membership interests. and
9 SSVF sold promissory notes to investors. These two funds were managed by another
10 of Yoo's entities, Summit Asset Investment Management, LLC., ("SAS Management").
11 SAS Management was compensated with a fee equal to all of SSVF's net fund profits.
12 SAS Management's fee for SSOP I was calculated on an annual fee of 2.4%. Because
13 of the methods of calculating SAS Management's fees there was great incentive to
14 overstate the reported value of the funds which SAS Management did in order to
15 generate huge fees for itself. That was one aspect the Debtors fraudulent financial
16 scheme.
17

18 The second aspect of the fraudulent financial scheme was to enter into a series
19 of related-party transactions with foreign companies controlled by SAS Management or
20 Yoo that also served two purposes: 1) to overstate the value of these foreign
21 companies; and 2) to hide the misappropriation of the investor funds.
22

23 The third aspect of the fraudulent financial scheme was just simple theft.
24 People invested money with Yoo and his companies and understood that the money
25 was held as investments with J.P. Morgan, Rydex, Guggenheim Investments, or other
26 legitimate bank or brokerage firms. However, once the SEC shut down Yoo and his
27

1 companies, the investors contacted these entities and were advised that they held no
2 money on their behalf.

3 Pursuant to RCW § 21.20.430(3) “every person who directly or indirectly
4 ‘controls’ a seller” is liable under RCW § 21.20.430(1).¹ Both SAS Management and
5 Chris Yoo personally have substantial liability because each “controlled” both SSVF and
6 SSOP I. Further, to the extent that SAS Management is liable, Yoo also has “control
7 person” liability pursuant to RCW § 21.20.430(3) because he directly “controlled” SAS
8 Management, and also because he thus “indirectly” controlled SSVF and SSOP I.
9 Accordingly, all of the creditors were required to be listed.

11

12 II. PARTIES

13 2.1 Chris Young Dong Yoo and Jieun Song Yoo, filed a voluntary Chapter 7
14 bankruptcy petition on January 18, 2016 (“Petition Date”) in the United States Bankruptcy
15 Court for the Western District of Washington at Seattle.

16 2.2 Edmund J. Wood was appointed as the Chapter 7 Trustee on January 18,
17 2016. Edmund J. Wood, (hereinafter “Trustee”) brings this action solely in his capacity as
18 Chapter 7 Trustee of the bankruptcy estate of Chris Yoo and Jieun Yoo.

20

III. JURISDICTION AND VENUE

21 3.1 This Court has jurisdiction pursuant to 28 U.S.C. §1334, 28 U.S.C. §157, 11
22 U.S.C. §727 and general rule 7 of the United States District Court for the Western District
23 of Washington dated May 22, 1985.

24 3.2 Venue is proper in this Court. At all times relevant hereto the Debtor resided
25 within the jurisdiction of this Court and conducted business within the jurisdiction of this
26 Court, and filed his bankruptcy petition within the jurisdiction of this Court.

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3.3 This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(J).

IV. STATEMENT OF FACTS

Summit Asset Groups

4.1 Debtor Chris Yoo was the 100% owner and a control person of various corporations which all start with the name “Summit Asset Strategies”. He was the sole shareholder of Summit Asset Strategies Group, LLC (“SAS Group”). Summit Asset Strategies Group, LLC was the named member in other Summit Asset LLC’s (collectively “Summit Asset Companies”).

Audit by Securities and Exchange Commission

4.2 According to Yoo, on May 8, 2413 the SAS Companies were notified that the SEC would be conducting a routine examination of their books, records and compliance procedures. The SEC examiners conducted a 5- day on-site audit. The SEC regional office in San Francisco continued its examination for the next 9 months. In January of 2014 the SEC sent a deficiency letter to the SAS companies and the SAS companies agreed the deficiencies would be corrected. However, the SEC had issues with how the SAS Group was valuing certain assets.

4.3 On August 8, 2014 the SAS Companies received notification from the SEC that they were under investigation again because they believed Yoo and SAS Management were fraudulently inflating the values of investments in SSOP I and SSVF so they could attain unearned management fees.

4.4 Sometime in the summer of 2015 the SEC and the SAS Companies agreed to a settlement. On September 4, 2015 the SEC filed a complaint in the U.S. District Court against Yoo, SAS Management and SAS Wealth. On or about the same day the SEC

¹ *Hines v. Data Line Systems, Inc.*, 114 Wn.2d 127, 135-36, 787 P.2d 8, 13-15 (1990) (relying upon authorities construing the analogous 17 C.F.R. § 230.405 when interpreting RCW § 21.20.430(3)).

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1 issued a press release indicating the parties had agreed to a settlement, pursuant to which
2 Yoo and SAS Management agreed to pay more than \$1 Million and SAS Wealth agreed to
3 pay approximately \$180,000.00.

4 4.5 Thereafter Yoo "re-organized" all of the SAS Companies into a new
5 company called Vertex Strategies, Inc. which was to open on November 16, 2015.

6 4.6 The Debtors filed this Chapter 7 bankruptcy petition two months later on
7 January 18, 2016.

8 **False Statements on Bankruptcy Schedules**

9 **Schedule J**

10 4.7 On Schedule J the Debtors were required to list their expenses, including
11 the rental or home ownership expenses. The Debtors listed \$3,800.00 as the monthly rent
12 for the house located at 9867 NE 14th Street, Bellevue, Washington 98004 ("14th Street
13 Property"). This rental house is 5,500 square feet with 7 bedrooms, 5 bathrooms and has
14 a Zillow value of \$2,850,940.00. However, the amount the Debtors were paying for rent
15 was not \$3,800.00 it was \$6,280.00 which was paid by monthly check out of their US bank
16 checking account, account number ending 1388.

17 4.8 The Debtors own a 2005 BMW 3 Series M3 Coupe with \$35,000.00
18 remaining owing on the loan and a 2012 Mercedes-Benz GL450 4 WD with \$45,500.00
19 remaining owing on it. The monthly payments are \$554.80 and \$894.58 respectively. The
20 Debtors sought authority to reaffirm these obligations despite the fact that the monthly
21 income and expenses set forth of Schedule I and J shows a monthly deficit of \$5,050.00.
22 Nonetheless the Debtors sought to reaffirm these car obligations and stated that they had
23 no rental expense because they moved in with parents and thus implied they no longer had
24 any rent expense.

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1 4.9 Upon information and belief, the amounts listed on schedule J as expenses
2 are false.
3

3 **Amount of Income Disclosed on Schedules is Substantially Understated**

4 4.10 In answer to question 4 on the Statement of Financial Affairs ("SOFA") the
5 Debtors indicate that their income from employment for the past three years was as
6 follows:
7

To Petition Date 2016:	\$ 750.00
2015	\$10,000.00
2014	\$78,198.00

11 4.11 In answer to question 5 on the SOFA the Debtors state that they received
12 the following funds other than from employment:
13

To Petition Date 2016:	\$1,200.00
2015	\$70,00.00

15 4.12 Thus, per their sworn bankruptcy schedules their total combined income for
16 the last three years was
17

To the Petition Date, 2016	\$1,950.00
2015	\$80,000.00
2014	\$78,198.00

21 4.13 The Debtors deposited the following amounts into their personal bank
22 account at US Bank account ending 2673, BECU account ending 6348 and Bank of
23 America account ending 3588². These deposits appear to be in the nature of regular
24 monthly income.
25

<u>Year</u>	<u>US Bank</u>	<u>BECU</u>	<u>BOA</u>	<u>Bank of Korea</u>	<u>Total</u>
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27 2 Jieun Yoo has a separate bank account at U.S. Bank, but the Trustee does not have those records and as
28 such any funds going into her separate account that could be construed as income are not included in these
totals.
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1 2016 \$ 1,025.00 \$ 600.00 \$ 4,160.00 \$ 0.0 \$ 5,785.00
2 2015 \$648,086.32 \$83,941.00 \$ 56,084.75 \$54,983.25 \$843,095.23
3 2014 \$671,735.83 \$17,088.67 \$119,576.89 \$20,000 \$828,401.39

4 4.14 In addition, in answer to Question 5 of the SOFA the Debtors failed to
5 disclose that in 2014 they received \$249,960.05 from the sale of the Medina Property and
6 \$25,513.60 from the sale of the 49th Street Property, instead disclosing only that they
7 received \$70,000.00 from family support. The answer to Question 5 of the SOFA as to
8 income received in 2015 is understated by at least \$275,473.65. When the house
9 proceeds, family support and deposits are added together for 2014 it appears they
10 received total proceeds in 2014 of \$1,173,875.04.

11 **Payments Made to Creditors Within 90 Days**

12 4.15 In answer to Question 6 the SOFA the debtors were required to disclose all
13 payments made within 90 days of the Petition Date and they stated they made payments to
14 BECU on their automobile loans within 90 days to the Petition Date but disclose no other
15 payments to or for their benefit within 90 days of the Petition Date. This statement is
16 false.

17 4.16 The Debtors wrote check number 2360 from their Bank of America checking
18 account, ending 3588, to Trinity Presbyterian Church in the amount of Four Thousand
19 Dollars (\$4,000.00) on January 12, 2016 which cleared the bank on January 15, 2016 but it
20 was not disclosed in answer to Question 6 on the SOFA.

21 4.17 The Debtors wrote check number 4011 from their U.S Bank checking
22 account, ending 2673, to Robert Hronek in the amount of Fifteen Thousand Three Hundred
23 Fifty Dollars (\$15,350.00) on November 20, 2016 which cleared the bank on November 20,
24 2016 but it was not disclosed in answer to Question 6 on the SOFA.

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1 4.18 The Debtors wrote check number 3984 from their U.S Bank checking
2 account, ending 2673, to GoldenLake LLC in the amount of Six Thousand Two Hundred
3 Eighty Dollars (\$6,280.00) on November 12, 2016 which cleared the bank on November
4 20, 2016 but it was not disclosed in answer to Question 6 on the SOFA.

5 4.19 The Debtors wrote check number 4010 from their U.S Bank checking
6 account, ending 2673, to GoldenLake LLC in the amount of Six Thousand Two Hundred
7 Eighty Dollars (\$6,280.00) on October 13, 2016 which cleared the bank on November 20,
8 2015 but it was not disclosed in answer to Question 6 on the SOFA.
9

10 4.20 Within 90 days of the Petition Date the Debtors transferred \$17,700.00 to
11 the SAS Companies but those transfers were not disclosed in answer to Question 6 on the
12 SOFA.

13 **Payments Made within One Year**

14 4.21 In answer to Question 7 of the SOFA the Debtors indicated that within one
15 year prior to the Petition Date the Debtors made no payments to or for the benefit of any
16 insiders. Within one year of the Petition Date the Debtors transferred \$134,517.60 from
17 their various bank accounts to the SAS Companies. Most of the checks do not state the
18 reason for the transfer, but several do state in the "re:" line loan payoff.
19

20 4.22 In answer to Question 16 of the SOFA the Debtors were required to disclose
21 all payments made by them, or anyone on their behalf within one year from the Petition
22 Date to anyone they consulted with about seeking bankruptcy or preparing a bankruptcy.
23 The Debtors listed their current counsel Darrel Carter of CBG Law Group.
24

25 4.23 On June 26, 2015 the Summit Assets Strategies Inc., LLC., cut check #3280
26 from its US Bank account, ending 1388, to D. Benjamin Lee in the amount of Three
27 Thousand Five Hundred Dollars (\$3,500.00) as a retainer. On July 31, 2015 it made check
28 #3285 payable to Benjamin Lee in the amount of \$925.00 and the notation says "Bk-filing".
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1 On the same day, July 31, 2015 it cut check #3287 to Benjamin Lee in the amount of
2 \$1,225.00. None of those transfers are disclosed in answer to Question 16 of the SOFA.

3 **Debtors' Did Not Disclose their Interest in all Businesses**

4 4.24 In answer to question 27 on the SOFA the Debtors were required to disclose
5 their interest in any Limited Liability Corporations and also disclose any businesses in
6 which they were an officer, director or managing executive of a corporation. The Debtors
7 answered that they were involved in only one LLC and that was Summit Asset Strategies.

8 4.25 The Debtors failed to disclose that Chris Yoo was the Manager of SAS
9 Investment which was formed in the State of Washington on April 6, 2009.

10 4.26 The Debtors failed to disclose that Chris Yoo was the Manager of SAS
11 Wealth which was formed in the State of Washington on January 16, 2006.

12 4.27 The Debtors failed to disclose their interest in Vertex Strategies, Inc., which
13 was incorporated in the State of Washington on April 22, 2008. Chris Yoo is the Registered
14 Agent and all officers.

15 4.28 The Debtors failed to disclose that Chris Yoo was an officer of Trinity
16 Presbyterian Church of Washington.

17 **Failure to List Creditors**

18 4.29 Upon information and belief, the Trustee alleges that the following
19 individuals are creditors of the Debtors who were intentionally not listed on the original
20 schedules or the amended schedules:

21 Robert Anderson;

22 Helena Bierly;

23 Ok Hyun Cho;

24 Doris Clore;

25 Ruth Croswell;

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1 Farrar Living Trust;
2 Craig & Lola Hanada;
3 Gregory P. Tralle;
4 Terry A. Johnson;
5 David Keeney;
6 Chong Suk Hu;
7 Chang Ku Lee;
8 Mi Yeon Lee;
9 Won Sup Lee;
10 Yushin Lee;
11 Joseph R. Maio;
12 Gerald D. Nakata;
13 Linda Newman;
14 Stephen & Colleen Olsen;
15 So Sun Park;
16 Schurra Living Trust;
17 Shirley Slater;
18 Gary Sugai;
19 Erin Thorn;
20 Frances E. Ungemach Trust;
21 Chung Ho and Kab Sun Woo;
22 Warrn & Marian Yasutake;
23 Young Ho Sohn;
24 Kyong Chae;
25 Noah Ham;

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Robert Williamson;

Hwang Ho;

Ki-Chang Park;

Kab Sun Woo;

Summit Strategic Opportunities Fund I, LLC;

Summit Stable Value Fund

4.30 The Debtors original schedules listed ten (10) unsecured creditors. At the §341 meeting the Debtors indicated that they did not list various creditors because they did not know if they were personally liable for the claims, instead indicating those creditors could seek to recoup their losses from some crime restitution fund, but agreed that was not a valid reason not to have scheduled the creditors. The Debtors agreed to amend their schedules to list all entities who could potentially have any claims against the Debtors arising out of the operation of their business.

4.31 The Debtors amended their schedules on March 18, 2016. However, they only added 13 new general unsecured creditors with claims totaling \$2,767,049.03. The Trustee believes that there are substantially more than 13 individuals who invested money with the SAS Companies, and believes the totaling owing to those individuals is far in excess of \$2,767,049.03.

4.32 On April 18, 2016 Hyun Jung Hong filed an objection to the discharge of the Debtors pursuant to §523. Mr. Hong was not listed as a creditor on the original petition nor on the amended petition. The Debtors have not amended their schedules to include Mr. Hong as a creditor.

4.33 On April 14, 2016, In Hi Hwang, Hi-Chang Park and Chung Ho Woo and others filed an objection to the discharge of the Debtors. Neither Park nor Woo were

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1 listed as creditors on the original petition nor the amended petition, nor have the Debtors
2 amended their schedules to include these individuals as creditors.

3 4.34 The Trustee believes that there are substantially more creditors whom the
4 Trustee has not yet discovered. Upon information and belief, the Trustee alleges that the
5 Debtors have understated their liabilities by at least \$12 Million Dollars.

6 **Sale of Property Within Two Years of the Petition Date**

7 4.35 In answer to question 18 of the SOFA the debtors were required to disclose
8 any sale of any property within two years of the Petition Date. The Debtors disclosed a sale
9 of real property located at 1641 Evergreen Point Road, Medina, Washington. That
10 address is incorrect; the address of the Property is 1911 Evergreen Point Drive. The
11 Debtors failed to disclose that on April 25, 2014 they sold real property located at 19252
12 SE 49th Street, Issaquah, Washington ("49th Property") and received net proceeds of
13 \$25,513.00.

15 **Failure to Disclose Tax Refund**

16 4.36 In answer to Question 28 on Schedule A/B the Debtors indicate that they
17 were not entitled to receive any tax refunds. Yet on February 24, 2016 the Debtors
18 received a tax refund in the amount of \$3,581.00.

20 **Testimony at 341 hearing**

21 4.37 At the section 341 hearing conducted on February 18, 2016, both Debtors
22 testified that there were no errors on their bankruptcy schedules, that they had listed all
23 their assets and listed all their creditors on their bankruptcy schedules.

24 4.38 Debtor Chris Yoo also testified that he was the signatory on the various
25 Summit Asset Strategy bank accounts until approximately May of 2013 when the SEC
26 revoked his authority to be a signatory on any of the Summit Asset company bank
27

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1 statements. This statement was false. Chris Yoo remained a signatory on all Summit Asset
2 bank accounts know by the Trustee.

3 4.39 Debtor Chris Yoo testified that he owned 87% of Summit Asset Strategies
4 Group, but in answer to Question 18 of the SOFA the Debtors indicated that they owned
5 100% of the interest in Summit Asset Strategies Group.

6 4.40 At the 341 meeting the Trustee asked if Mr. Yoo's daily activities included
7 selling of investment products to individual investors and he testified it was not. He
8 testified that he was not really involved in the selling aspect, that he had only sold a few
9 investment products. This statement was false. Mr. Yoo sold most, if not all, of the
10 investment products to the investors.

11 4.41 Debtor Chris Yoo testified that he only paid back investors if their notes
12 were due. This statement was false. Numerous investors were repaid whose notes had
13 not yet matured.

14 4.42 Debtor Chris Yoo testified that all money the various SAS Companies had
15 was paid out to investors. This statement was false. Substantial payments on investor
16 money was paid to or for the benefit of these Debtors.

17 4.43 Attorney Bill Spur attended the §341meeting. He asked Mr. Yoo a few
18 questions and then Mr. Yoo refused to answer any other questions, instead invoking his 5th
19 amendment right. Mr. Yoo did not listen to the questions and then invoke them if the
20 answer might incriminate him, he just advised Mr. Spur that he was taking "the Fifth on
21 every question".

22 **Failure to maintain records from which his financial condition could be ascertained.**

23 4.44 In order to ascertain the Debtors' financial condition one would have to
24 review the records of his various companies, including the SAS Companies. Yoo agreed to
25 produce all of the corporate records to the attorneys for the Receiver of SSVF and SSOP I

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Investment. He produced 40 boxes of documents and a computer. The Trustee's counsel reviewed the 40 boxes of documents and they are of little to no benefit because there are no records from 2015 and only a few records from 2014. There are no bank statements, canceled checks, or general ledgers in the hard documents. There was no file produced showing loans or distributions to Yoo or loans/capital contributions from Yoo. Based on the records produced the Receiver the Trustee is unable to ascertain how the Debtors' got in this current financial condition.

4.45 The Trustee is unable to determine how it is that the Debtors are able to afford to pay \$6,820.00 a month in rent payments for the lavish house they live in, along with \$1,449.38 in car payments when their total disclosed monthly income is \$2,730.00.

Bank Accounts

4.46 The Debtors disclosed that they have two bank accounts at US Bank, one checking account at BECU, and one checking account at Bank of America. They failed to disclose their PayPal account, Ameritrade account or their bank account maintained at the Bank of Korea.

Loans

4.47 The Debtors' schedules do not list any liabilities that they owed to any of the SAS Companies.

4.48 The Debtors' schedules do not list any funds owed by any of the SAS Companies to the Debtors.

4.49 Upon information and belief the Trustee alleges that the Debtors owed substantial liabilities to the various SAS Corporations. The various SAS corporations were not listed as creditors on the schedules.

V. FIRST CAUSE OF ACTION – SECTION 727(A) (2)

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5.1 Plaintiff re-alleges and incorporates by reference the allegations set forth above.

5.2 The Debtor with intent to hinder, delay, or defraud a creditor or an officer of the estate charged with custody of property under this title has transferred, removed, destroyed or mutilated or concealed, or has permitted to be transferred, removed destroyed, mutilated or concealed – (A) property of the debtor within one year before the date of the filing of the petition; and/ or (B) property of the estate, after the date of filing. These and other acts committed before and during this case, were and are in violation of 11 U.S.C. §727 (a) (2).

VI. SECOND CAUSE OF ACTION – SECTION 727(A)(3)

6.1 Plaintiff re-alleges and incorporates by reference the allegations set forth above.

6.2 The Debtor has concealed, destroyed, mutilated, falsified, or failed to keep or preserve any recorded information, including books, documents, records, and papers, from which the Debtor's financial condition or business transactions might be ascertained, and the act or failure to act was not justified under all the circumstances of the case.

These and other acts committed before and during this case, were and are in violation of
11 U.S.C. §727 (a)(3).

VII. THIRD CAUSE OF ACTION – SECTION 727(A)(4)

7.1 Plaintiff re-alleges and incorporates by reference the allegations set forth above.

7.2 The Debtor knowingly and fraudulently in or in connection with the case –
(A) made a false oath or account and (D) withheld from an officer of the estate entitled to
possession, any recorded information, including books, documents, records and papers,

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1 relating to the Debtor's property or financial affairs. These and other acts committed
2 before and during this case, were and are in violation of 11 U.S.C. §727 (a)(4).

3 **VIII. FOURTH CAUSE OF ACTION – SECTION 727(A)(5)**

4 8.1 Plaintiff re-alleges and incorporates by reference the allegations set forth
5 above.

6 8.2 The Debtor has failed to explain satisfactorily, before determination of denial
7 of discharge under this paragraph, any loss of assets or deficiency of assets to meet the
8 debtor's liabilities. These and other acts committed before and during this case, were and
9 are in violation of 11 U.S.C. §727 (a)(5).

10 **IX. FIFTH CAUSE OF ACTION – SECTION 727(A)(6)**

11 9.1 Plaintiff re-alleges and incorporates by reference the allegations set forth
12 above.

13 9.2 The Debtor has refused to answer questions based upon an improperly
14 invoked Fifth Amendment Right. These and other acts committed before and during this
15 case, were and are in violation of 11 U.S.C. §727 (a)(6).

16 **X. PRAYER FOR RELIEF**

19 WHEREFORE, Plaintiff prays for relief as follows:

20 A. For denial of the debtors' discharge pursuant to section 727(a)(2), (3), (4), (5)
21 and (6);

22 B. For such further relief as the court deems equitable and just.

23 Dated this 22nd day of July, 2016.

25 **WOOD & JONES, P.S.**

26 /s/ Denice E. Moewes

27 Denice E. Moewes, WSBA #19464
Attorney for Chapter 7 Trustee
Edmund J. Wood

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